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SUBJECT: FINANCE VICE MINISTER SHARES U.S. VIEW ON
INNOVATIVE SOURCES OF FINANCING FOR DEVELOPMENT

REF: STATE 162146

Post shared reftel document with the Ministry of Foreign Affairs officer in charge of United Nations and Multilateral Affairs, Felix Ulloa (currently in New York); staff at the Technical Secretariat (Office of the Presidency); and with the Vice Minister of Finance Carmen Regina de Arevalo. In a September 13 discussion with Embassy officials, the Vice Minister said that she supported the U.S. position. De Arevalo objected both to an international airline tax and a possible bond issuance by an IFF. She was particularly vehement in relation to the bond proposal since El Salvador, as a country that finances part of its budget deficit through international bond issues, would have to compete with the issuing institution for funds. She expressed concern that a large single borrowing might affect conditions in the market. Speaking frankly, De Arevalo and other Salvadoran economic officials also expressed skepticism that El Salvador would be on the receiving end when the funds were distributed, expecting that the funds would, rather, be channeled to countries or regions suffering chronic extreme poverty. Post has not received specific feedback from the Ministry of Foreign Affairs although MFA was interested U.S. views on the subject.

Butler